

Message Text

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61

ACTION ARA-10

INFO OCT-01 ISO-00 L-03 AID-05 EB-07 COME-00 CIAE-00

INR-07 NSAE-00 INT-05 OPIC-03 TRSE-00 OMB-01 H-02

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R 171502Z MAR 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2403

C O N F I D E N T I A L CARACAS 3038

E.O. 11652: GDS

TAGS: EMIN, EINV, VE, US

SUBJ: CODSA DIFFICULTIES WITH GOV

REF: STATE 051759

1. STEWART CALLED ME ON MARCH 16 AND RAN THROUGH APPROXIMATELY THE SAME PRESENTATION HE MADE TO LUERS IN THE DEPARTMENT. I AGREED TO FACILITATE AN APPOINTMENT FOR HIM WITH THE MINISTER OF MINES IF AFTER CONSULTING WITH ARISTEGUIETA HE DECIDES TO PURSUE THAT AVENUE.
 2. COMMENT: ONE FACET OF STEWART'S PRESENTATION MADE ME UNEASY. HE WAS LESS THAN PRECISE ON WHAT DOCUMENTATION CODSA HOLDS TO PROVE TITLE TO ITS "EXPLORATION AND EXPLOITATION" CONCESSIONS. IT APPEARS THAT THE COMPANY INITIATED OPERATIONS IN BOLIVAR STATE ON THE STRENGTH OF A VERBAL GO-AHEAD FROM THE MINISTRY OF MINES AND STEWART WAS VAGUE ON JUST HOW THAT ARRANGEMENT WAS SUBSEQUENTLY FORMALIZED. I DID NOT PRESS THE POINT FOR THE TIME BEING.
 3. IZOM#FOUND NOT ENTIRELY CONVINCING STEWART'S CONTENTION THAT ANY JOINT VENTURE WITH THE GOV WOULD SIMPLY RESULT IN HIS SIGNING OVER CODSA'S ASSETS FOR WORTHLESS STOCK IN A COMPANY THAT COULD NEVER REALISTICALLY BE EXPECTED TO RETURN A PROFIT. HE MENTIONED IN PASSING THAT THE LARGE OPERATORS ARE ONLY INTERESTED IN NON-EQUITY, MANAGEMENT FEE MINING VENTURES HERE. HOWEVER, DIAMOND DISTRIBUTORS, INC. (DDI), THE LARGEST "INDEPENDENT" IN THE U.S.,
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HAS BEEN ENGAGED IN TALKS WITH THE MINISTRY OF MINES LOOKING TOWARD

A JOINT-VENTURE APPROACH THAT WOULD APPARENTLY GO CONSIDERABLY BEYOND A MANAGEMENT CONTRACT. INTER ALIA DDI'S PROPOSAL (OF WHICH I HAVE BEEN GIVEN A COPY IN CONFIDENCE) STIPULATES THAT THE MINISTRY "WOULD AGREE TO DECLARE A MORATORIUM ON ALL NEW DIAMOND DEVELOPMENT UNDERTAKINGS" WHILE A JOINT MINISTRY-COMPANY COMMISSION STUDIED PROSPECTS FOR THE INDUSTRY HERE. I AM TOLD THAT DE BEERS AND OTHER INTERESTS HAVE ALSO APPROACHED THE MINISTRY ABOUT RATIONALIZING AND MODERNIZING DIAMOND MINING HERE.

4. THE INFORMATION IN THIS TELEGRAM WAS GIVEN TO THE EMBASSY AS PROPRIETARY AND NOT FOR DISSEMINATION TO THIRD PARTIES.
SHLAUDEMAM

NOTE BY OC/T: CARACAS 3038, #PARA 3 AS RECEIVED.

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Message Attributes

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Margaret P. Grafeld
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